United States Senator

Richard Shelby

REPORTS TO ALABAMA

FIGHTING FOR THE PROTECTION OF SOCIAL SECURITY

The latest report by the Social Security system's Board of Trustees provided new evidence of the program's growing financial problems. According to the trustees, Social Security will be insolvent by 2029, one year earlier than predicted in the previous year's report. This is the eighth time in the last 10 years that the projected insolvency date has been brought closer.

Like many members of Congress, I am still reviewing the numerous reform options. Many proposals include provisions that would allow for the investment of the Social Security trust fund in the stock market. Others propose to allow individuals to set up a personal account, much like the corporate 401(k) account, and place some portion of their payroll taxes into market based investments. Given the recent performance of the stock market, the prospect of investing in stocks clearly provides an attractive option to bolster the solvency of the program. We have seen the popularity and success of private 401(k) retirement plans, and although I do not know whether we should emulate them exactly, I think we clearly need to look at them closely, and to keep all of our options open.

One option I will NOT consider, however, is tax increases. Since the Social Security payroll tax was first levied in 1937, Congress has raised it more than 20 times. The payroll tax has grown from 2 percent to 15.3 percent. Yet, this has not solved any of the long term problems with the underlying structure of the system. If no other policy changes are made, payroll taxes must increase to 24.6 percent by 2030 to support program.

Although 2030 seems like a long time from now, we cannot wait any longer to correct the structural problems of the system. The program actually will begin to pay out more money than it receives by 2012 due to the drain placed on it from the retirement of the baby boom generation. Consider this: in 1940 there were 42 workers for each Social Security beneficiary; today, there are three workers for each retiree. In 2030 the ratio will be 2-to-1. The longer we wait to reverse this trend, the more the financial integrity of the program will be compromised. The emerging budget surplus offers an opportunity to save the Social Security system not only for current retirees, but for their children and grandchildren. I believe we must have the courage to act now to protect our senior citizens and save the program for the generations to come.

I will continue working as a member of the Senate Aging Committee on finding a way to restore solvency to the Social Security system and protect our seniors. It is too important to do anything less.

FOR RELEASE UPON RECEIPT: APRIL 23, 1998

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